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SUBJECT: EGYPT'S ECONOMY: November 23 PRESS ROUND-UP

11. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Mubarak Addresses Economy in Speech to Parliament

12. (U) President Mubarak addressed a joint session of the People's Assembly and the Shura Council on November 20, stressing social justice for the poor, new stimulus and spending programs, rural development, and energy security. Mubarak endorsed new legislation to increase pensions and called for reforming the national health care system. Mubarak declared that the government has met the challenge of the global financial crisis by passing two fiscal stimulus packages of LE15 billion (US\$2.75 billion) and LE8 billion (US\$1.47 billion). Mubarak called for a third fiscal stimulus package amounting to LE10 billion (US\$1.83 billion) to finance additional infrastructure projects and public services. Finally, Mubarak called for ensuring energy security by developing alternative energies and making the nuclear power program a national priority (Al Ahram, Al Alam Al Youm, 11/22/09).

Rachid on Egypt-US Trade Talks

13. (U) Minister of Trade and Industry Rachid Mohamed Rachid criticized the US focus on Egyptian politics during the economic dialogue taking place with Washington, saying that Egypt wants to keep commercial issues separate from political issues in the bilateral relationship. Rachid also stated that the GOE is requesting the designation of at least three new Qualifying Industrial Zones (QIZ's), and that the GOE would like to see the expansion of food, leather and electronic products in the QIZ program (Al Masry Al Youm, 11/22/09).

Egypt and Canada to Negotiate FTA

14. (U) During the meeting of the Egypt-Canada Business Council, Minister of Trade and Industry Rachid Mohamed Rachid told the press that Egypt will start begin negotiating a free trade agreement (FTA) with Canada during the Geneva WTO conference that will be held on November 29. He added that Egypt is searching for new export markets through bilateral trade treaties. Rachid stated that Egypt would study the Canada-Jordan FTA as a guideline for the Egyptian-Canadian negotiations (Al Mal, Al Alam Al Youm, Al Ahram, 11/19/09).

Central Bank Rejects Bank Privatization, New Licenses

15. (U) Central Bank Governor Farouk El Okdah denied that the state-owned Banque du Caire is for sale, arguing that the market conditions are not right for privatization. Banque du Caire is one

of three public sector banks in Egypt. El Okdah also stated that no licenses will be given to new banks to operate in Egypt (Al Masry Al Youm, Al Ahram, 11/22/09).

Unemployment Rate Up from Last Year

¶16. (U) The Central Agency for Public Mobilization and Statistics (CAPMAS) released unemployment data for the third quarter of 2009. The unemployment rate increased to 9.36% from 8.55% during same period last year. Urban unemployment rose by 2.4% from Q3 2008 to Q3 2009, climbing to 13.7%, while rural unemployment increased by 0.4%, rising to 6.1%. The figures revealed a large gender gap in unemployment, as 5.3% of men are officially unemployed compared to 22.8% of women. The overall Egyptian labor force grew by 397,000 over the past year, and now totals 25.2 million workers (Al Alam Al Youm, Al Dustour 11/16/09).

Increase in Garment Exports to the U.S.

¶17. (U) Yehia El-Zananiry, the head of the Ready-Made Garments Association at the Union of Trade Chambers, said garment exports to the United States went up during the first half of 2009 in comparison to same period last year, climbing to \$540 million from last year's mark of \$520 million (Al Alam Al Youm, 11/16/09).

GOE Denies Rumors of Energy Price Increase

¶18. (U) On November 17, independent newspapers reported that Minister of Energy and Petroleum Sameh Fahmy is considering increasing the domestic sale price of petroleum products. The reason for this possible price increase, the newspapers reported, is the need to respond to the dramatic increase in domestic energy consumption, including an 18% jump in gasoline consumption in FY2008/09. However, Hamdy Abdel Aziz, a spokesman for the Ministry of Petroleum, denied the reports and stated that the Ministry would not raise prices. (Al Masry Al Youm, Al Shorouk, Al Ahram, 11/17/09, 11/18/09).

Newspaper Alleges U.S. Pressure on Israel Gas Deal

¶19. (U) The Al Shorouk newspaper claimed that US Secretary of State Hillary Clinton pressured Egypt to increase natural gas exports to Israel during her recent trip to Cairo. The newspaper said gas exports to Israel amount to \$164 million per year, and it alleged that the gas is being sold for a below-market price. Retired Ambassador Ibrahim Yousri, who is leading the "No Gas To Israel" campaign, added that Clinton not only asked the GOE for an increase of the amount of the gas exports but also a reduction in the price of the gas (Al Shorouk, 11/16/09)

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